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January 12, 2000

VIA HAND DELIVERY

Magalie Roman Salas, Esquire
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W. - Room TW-B204
Washington, D.C. 20554

Re: CC Docket No. 96-45 ✓
CC Docket No. 97-160
Ex-Parte Presentation

Dear Ms. Salas:

On January 11, 2000, an ex-parte oral presentation was made by Roseville Telephone Company (Roseville) to members of the Commission's Accounting Policy Division. The presentation was made by Mr. Jack Day of Roseville Telephone Company, Mr. Glenn H. Brown of McLean & Brown, and by Roseville's attorneys, Mr. Paul Feldman and the undersigned.

In addition, Mr. John A. Ricker of The National Exchange Carrier Association participated in the presentation.

The presentation communicated Roseville's concern regarding the loss of long term support for non-rural local exchange carriers. Roseville's presentation is summarized in the attached document which was also supplied to the FCC staff present at the meeting.

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Magalie Roman Salas, Esquire
January 12, 2000
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An original and four copies of the attachment are enclosed. Any questions regarding the presentation may be directed to the undersigned.

Yours very truly,

FLETCHER, HEALD & HILDRETH, PLC



Raymond J. Quianzon
Counsel for Roseville Telephone Company

RJQ:cej

Enclosures

cc: Ms. Irene Flannery, Chief
Ms. Katherine Schroeder, Deputy Chief
Mr. Robert Loube
Ms. Katie King

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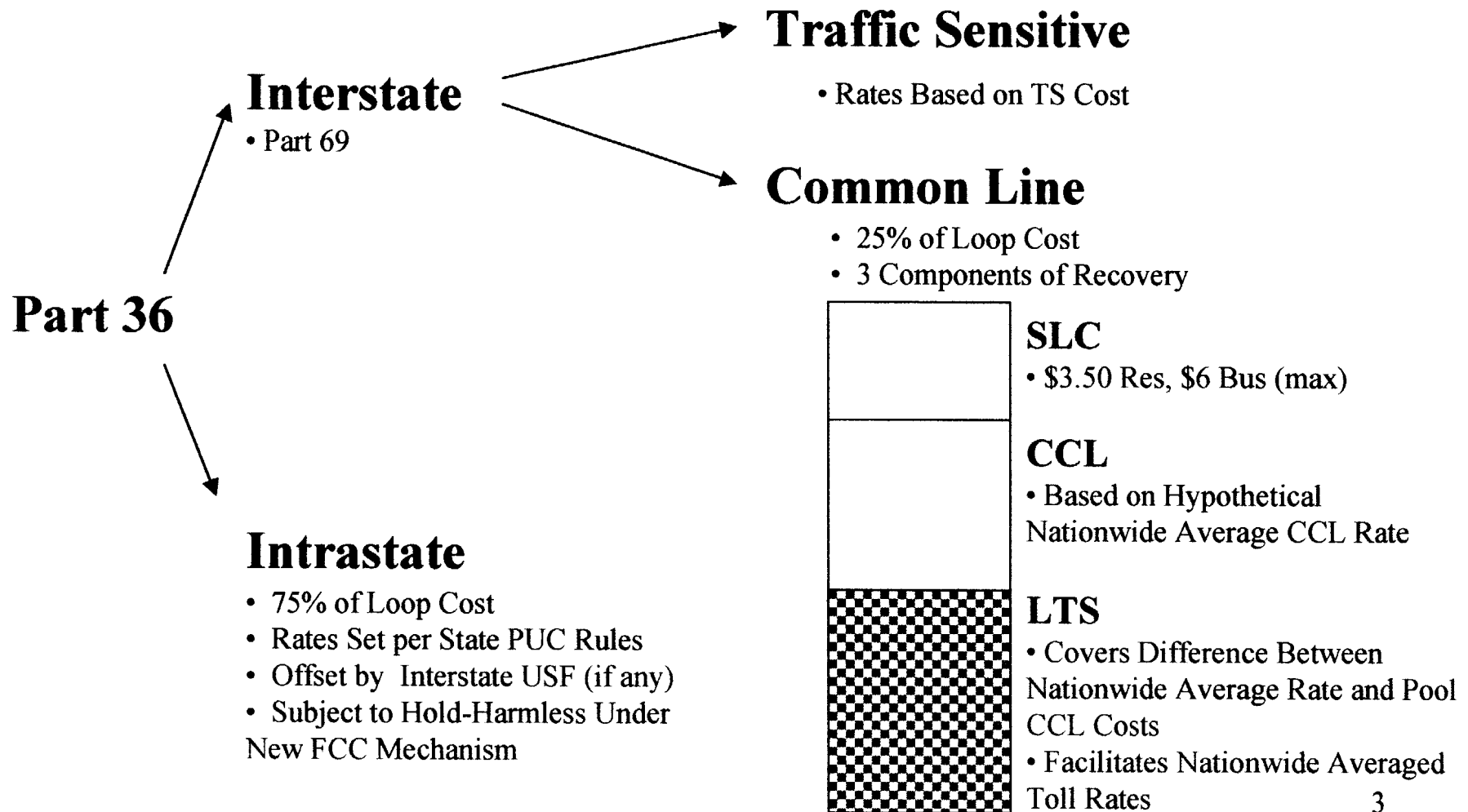
Universal Service Ex-Parte

Roseville Telephone Company
January 11, 2000

Major Points

- 1. LTS Represents Recovery of Interstate Costs.**
- 2. Interstate Costs are Specifically Removed From the New High-Cost Support Mechanism for Non-Rural LECs.**
- 3. LTS Should Not be Included in the Hold-Harmless and/or Phase-Out Provisions of the New Mechanism.**
- 4. If LTS is Eliminated This Will Have Unintended Consequences on Rural LECs, IXC's and Consumers.**
- 5. Companies With Less Than 200,000 Lines in a Study Area Experience Phase-Out Problems Identical to Those of Rural LECs.**

Rates For NECA Pooling LECs



The New Mechanism Excludes Interstate Costs

“Our current separations rules allow carriers to recover 25 percent of their book loop costs through interstate rates... We therefore conclude that the forward-looking mechanism will calculate support based on 75 percent of forward-looking loop costs.... We emphasize that this will not undermine the federal mechanism's ability to provide sufficient support. Rather, it is merely a safeguard to ensure that our mechanism adequately takes account of our separations rules and the division of cost recovery responsibility set forth in those rules.” *(9th R & O CC Docket 96-45 Paragraph 63)*

What Does This Mean?

- **Interstate Costs are Specifically Excluded From New Mechanism.**
- **LTS Recovers Interstate Costs Allowed by Separations Rules.**
- **It is Inappropriate to Eliminate LTS due to New Mechanism.**

Unintended Consequences

If LTS is Eliminated For The 3 Non-Rural LECs Who Receive it:

- There Will be an Immediate Shortfall in NECA Common Line Pool Revenues
- NECA Will be Forced to File a CCL Rate Increase of as High as 42%
- Any Decrease in IXC Payments in Support of LTS Will be Offset by the NECA CCL Increase
- The Disparity Between Urban and Rural Access Charges Could Threaten Nationwide Average Toll Rates
- If LECs are Forced to File Higher CCL Rates Then Customers May not Have Access to Discount Rate Plans

The Bottom Line on LTS

**LTS For Non-Rural LECs Cannot be
Phased-Down or Eliminated Unless and
Until a Complete Review of Common Line
Pricing for NECA Pooling LECs is
Completed.**

USF Computation Rules

	Costs Above Nat'l Average	
	115%	150%
Study Areas Under 200,000 Lines	65%	75%
Study Areas Over 200,000 Lines	10%	N/A [*]

* Study areas with over 200,000 line above 160% of nationwide average cost receive support for 30% of costs over 160%. Puerto Rico is the only area where this applies.

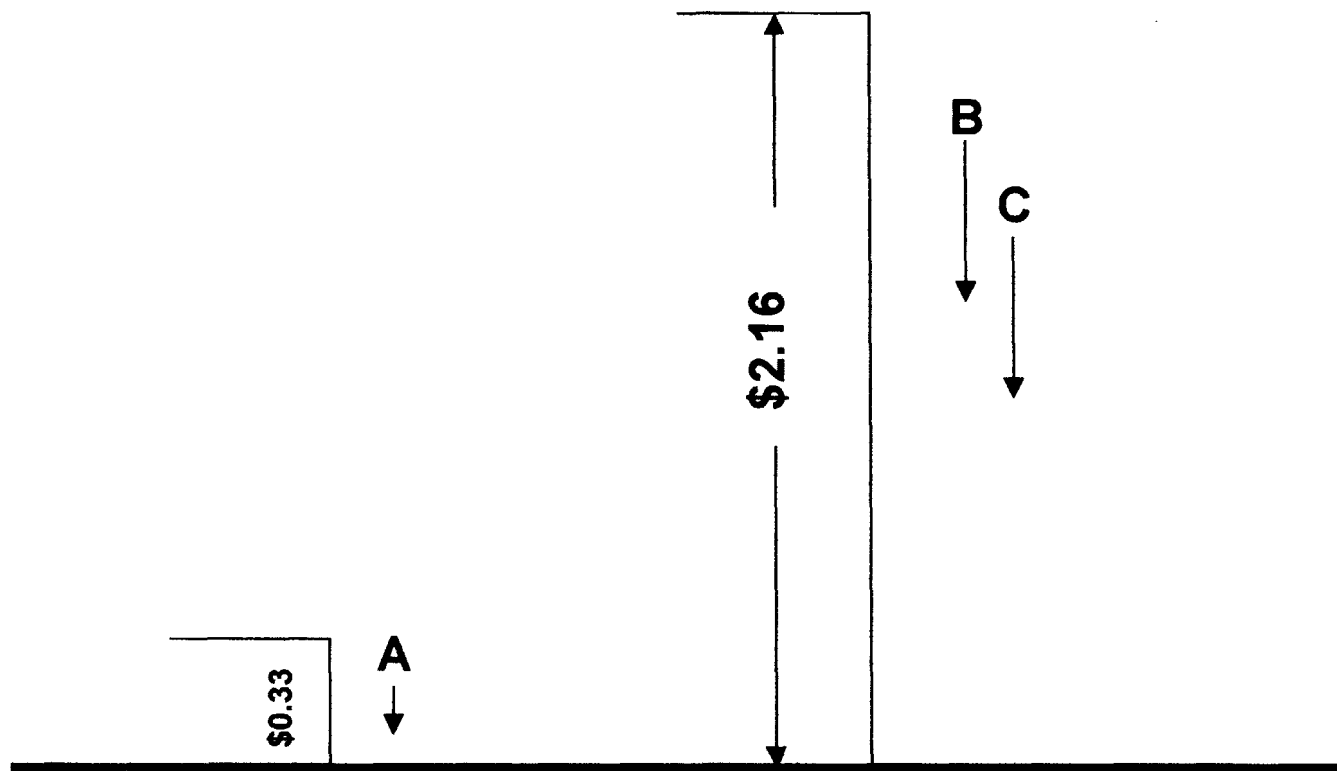
A Tale of 3 Companies

	A	B	C
Lines	4,500,000	120,000	4,500
Class	Non-Rural	Non-Rural	Rural
Cost/Line*	\$35.00	\$35.00	\$35.00
Nat'l Average*	<u>\$25.00</u>	<u>\$25.00</u>	<u>\$25.00</u>
Difference	\$10.00	\$10.00	\$10.00
USF	\$1.00	\$6.50	\$6.50

**Per-Line Impact
of 3-Year Phase-
Out (USF/3)**

*Hypothetical values for illustration purposes. All figures are \$/line/month.

“....Like Falling off a Cliff”*



* Comments of the Rural Telephone Coalition December 1, 1999 regarding the impact of a 3-year phase-out of hold-harmless support.

In Summary

- 1. LTS Should Not be Eliminated Until A Comprehensive Review of Common Line Pricing For Common Line Pooling Companies Has Been Completed Through Ongoing Access Reform.**
- 2. Companies With Less Than 200,000 Lines in a Study Area Should be Treated Under Terms to be Recommended by the Rural Task Force.**